

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** August 15, 2011  
**POSITION:** Neutral

**BILL NUMBER:** AB 509  
**AUTHOR:** N. Skinner

### **BILL SUMMARY:** Federal Earned Income Tax Credit: Notification

This bill would require state departments and agencies that serve individuals who may be qualified for the Earned Income Tax Credit (EITC) to annually inform those recipients about the EITC. This bill defines "state departments and agencies that serve those who may qualify for the EITC" as departments and agencies that operate state or federally funded programs and are engaged in providing services to low-income individuals and families.

### **FISCAL SUMMARY**

The Department of Health Care Services (DHCS) would inform Medi-Cal beneficiaries about the EITC via mail, which would cost approximately \$50,000 General Fund in 2012-13 and \$100,000 annually thereafter for printing and handling. Similarly, the Public Utilities Commission (PUC) would use mail to inform customers of the California Alternate Rates for Energy program, the Energy Saving Assistance Program, and the California LifeLine Telephone Program. The mailing costs would be approximately \$300,000 in 2012-13 and \$700,000 annually thereafter for all three programs. As these programs are supported solely by rate payer fees, there would be no impact to the General Fund.

Currently, the Department of Social Services (DSS) provides an EITC outreach brochure to clients who receive both CalWORKs and CalFresh. However, the DSS does not provide the same outreach to CalFresh-only recipients and foster families. The General Fund costs for printing and mailing to these recipients would be in the hundreds of thousands of dollars annually.

Costs from this measure would be minimal and absorbable for the Department of Education (CDE), the Managed Risk Medical Insurance Board (MRMIB), and the Employment Development Department (EDD). The free and reduced-priced meal program applications are printed annually; therefore, the CDE would add a sentence informing individuals and families about the EITC. Similarly, the MRMIB would add a message in the Healthy Families billing statements about the EITC. The EDD has existing documents that could be used to inform individuals and families about the EITC, such as the handbook that is provided to all individuals who file an unemployment insurance claim.

According to the Franchise Tax Board, 2.7 million taxpayers claimed \$5.83 billion in EITC in 2009. Assuming the notification required by this bill resulted in 5 percent more EITC being claimed, the estimated federal benefits for the state would be approximately \$291.4 million annually. Research shows that low-income individuals spend approximately 45 percent of their income on taxable goods. Because the General Fund receives approximately 5 cents for every dollar that is spent on a taxable good, this measure would result in approximately \$6.6 million new General Fund revenues annually, which would be sufficient to mitigate the General Fund costs of this bill.

### **COMMENTS**

The Department of Finance is neutral on this bill since resulting General Fund revenues to the state would more than offset the General Fund costs.

Analyst/Principal	Date	Assistant Program Budget Manager	Date
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Department Deputy Director	Date

Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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**AUTHOR**

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The bill would require the following departments, agencies, and programs to notify their program recipients about possible EITC eligibility:

- (1) The CDE: the free or reduced-price meal program and the National School Lunch program.
- (2) The DSS: the CalWORKs program, CalFresh, and foster families.
- (3) The PUC: California Alternate Rates for Energy, the Energy Saving Assistance Program, Family Electric Rate Assistance, the California Weatherization Assistance Program, the Low Income Home Energy Assistance Program, the California LifeLine Telephone Program, and Link-Up.
- (4) The EDD: California Unemployment Insurance.
- (5) The DHCS: the Medi-Cal program.
- (6) The MRMI: the Healthy Families Program.

This bill specifies its requirements would not be limited to the above departments and programs.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	
4260/Hlth Care	LA	No	-----	See Fiscal Summary	-----				0001
5180/Social Svcs	LA	No	-----	See Fiscal Summary	-----				0001
8660/PUC	SO	No	-----	See Fiscal Summary	-----				0462
8660/PUC	SO	No	-----	See Fiscal Summary	-----				0471
1149/Sale Use Tax	RV	Yes	-----	See Fiscal Summary	-----				0001
<u>Fund Code</u>	<u>Title</u>								
0001	General Fund								
0462	Publ Utilities Comm Utilities Reimb Acct								
0471	Universal Lifeline Telpne Svc Trst Admin								